



Investment Office
P.O. Box 2749
Sacramento, CA 95812-2749
Telecommunications Device for the Deaf - (916) 795-3240
(916) 795-3400

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AGENDA ITEM 3a

TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE

- I. SUBJECT:** Adoption of US Treasury Inflation Protected Securities (TIPS) Policy
- II. PROGRAM:** Global Fixed Income
- III. RECOMMENDATION:** Recommend to the Investment Committee adoption of the Statement of Investment Policy for US Treasury Inflation Protected Securities (TIPS).

IV. ANALYSIS:

Previously investment in TIPS had been governed by The Dollar-Denominated Fixed Income Policy statement. TIPS were owned in both the Public Employees Retirement Fund (PERF) and the Affiliates program. When the Supplemental Income Plan (SIP) program began, it became important to develop a TIPS policy statement to facilitate marketing of the TIPS option within the Plan. The TIPS policy statement is relatively simple and consistent with other TIPS funds in the market. Wilshire's recommendation letter is attached.

V. STRATEGIC PLAN:

This item is consistent with the Strategic Plan:

- Goal IV, to communicate with and educate the public, employers, members, and other stakeholders to ensure that they have a clear understanding of CalPERS' roles, fiduciary duties, and value proposition.
- Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits, and second, to minimize and stabilize contributions.
- Goal IX, achieve long-term, sustainable risk adjusted returns.

VI. RESULTS/COSTS:

The Statement of Policy for US Inflation Protected (TIPS) Securities is presented to the Policy Subcommittee for approval. This policy provides assurance that

there is sufficient flexibility in controlling investment risks and returns for TIPS investors.

Robert Grady
Portfolio Manager

Curtis D. Ishii
Senior Investment Officer

Anne Stausboll
Chief Operating Investment Officer